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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of

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Revision to Amend Part 32,
Uniform System of Accounts for

)

CC Docket No. 95-60

Class A and Class B Telephone

)

RM 8448

Companies to Raise the Expense Limit

)

for Certain Items of Equipment from

)

\$500 to \$750

)

COMMENTS OF U S WEST

U S WEST Communications, Inc. ("U S WEST"), through counsel and pursuant to the Notice of Proposed Rulemaking¹ issued by the Federal Communications Commission ("Commission"), hereby files its comments regarding the Commission's proposal to increase the expense limit for certain items of equipment from \$500 to \$750. Unfortunately, this de minimis increase proposed by the Commission does not adequately address the difficulties inherent in the maintenance of detailed accounting records for small items of equipment.²

In addressing some of the same small asset accounting administrative issues contained in the expense limit increase proposal, the United States Telephone

¹ In the Matter of Revision to Amend Part 32, Uniform System of Accounts for Class A and Class B Telephone Companies to Raise the Expense Limit for Certain Items of Equipment from \$500 to \$750, CC Docket No. 95-60, RM 8448, Notice of Proposed Rulemaking, FCC 95-182, rel. May 31, 1995 ("Notice").

² In fact, for U S WEST the one-time cost associated with implementing the change nearly offsets the first year's benefit of the increased expense limit.

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Association ("USTA") has recently proposed the use of a vintage amortization level ("VAL") property record system for certain support asset accounts.³ U S WEST believes that the VAL proposal offers greater efficiencies and cost savings to the industry than the negligible expense limit increase proposed by the Commission in its Notice.

I. A \$250 EXPENSE LIMIT INCREASE PROVIDES NO BENEFITS TO U S WEST

In its original Petition, USTA proposed to amend Section 32.2000(a)(4) of the Commission's rules to raise the limit for expensing certain equipment from \$500 to \$2000. In the Notice, the Commission modified USTA's proposal and suggested instead to raise the expense limit from \$500 to \$750. The Commission noted that the \$250 increase took into account inflation (\$135 between 1987 and 1994), the increasingly competitive environment, and rapid technological change. Unfortunately, the Commission seemingly has failed to recognize or take into account the most important reason for reducing the amount of detailed accounting necessary for these small asset items -- efficiency.

U S WEST supported USTA's original proposed expense limit increase based upon the fact that such an increase would allow it to be more efficient -- and thus save time and money -- in the creation and maintenance of accounting records for

³ In the Matter of Petition for Rulemaking to Amend Part 32 of the Commission's Rules to Eliminate Detailed Property Records for Certain Support Assets, Petition for Rulemaking, filed May 31, 1994 ("Petition"). See also, Public Notice, United States Telephone Association Files a Petition for Rulemaking to Amend Part 32 of the Commission's Rules to Eliminate Detailed Property Records for Certain Support Assets, 10 FCC Rcd. 5054 (1995).

low-cost, high-volume items. These efficiencies would allow a reasonable cost savings and would assist U S WEST in its efforts to operate more like a competitive-based company. The Commission's proposal to increase the expense limit by \$250 accomplishes none of those goals. It simply causes a significant amount of reclassification of small equipment items and changes in accounting systems with little long-term operational benefit.⁴

II. U S WEST SUPPORTS USTA'S VAL PROPOSAL

In terms of efficiency and long-term benefit, U S WEST supports the VAL property record proposal submitted by USTA. Under this proposal, certain account assets are placed in vintage groups and amortized on a straight-line basis over their prescribed lives. Because assets are amortized over their prescribed lives, VAL does not create a capital-to-expense shift inherent in a change in expense limits. Further, while increasing the expense limit reduces the cost of tracking and inventorying small-value items, VAL essentially eliminates this cost. The efficiency benefits and cost savings associated with VAL are thus much more significant.

Adoption of USTA's VAL proposal offers an alternative that is revenue neutral in its implementation. It also does not diminish the Commission's ability to ensure all telephone company assets are accounted for properly. While some level of precision may be reduced in that each specific small asset's life is not tracked, it

⁴ U S WEST has estimated that only \$5.4 million of annual purchases would be reclassified from capital to expense based upon the Commission's suggested \$250 expense limit increase.

is not significant and the impact is equalized over time. The VAL proposal therefore offers all of the benefits U S WEST is seeking in terms of efficiency increases with regard to small asset accounting.

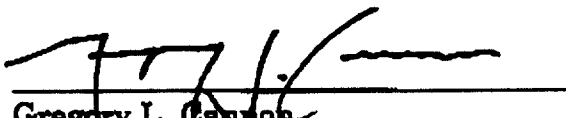
III. CONCLUSION

For the foregoing reasons, U S WEST finds the value of the Commission's proposal to increase the expense limit from \$500 to \$750 to be de minimis and would instead encourage the Commission to provide small asset accounting relief in the form of authorization to implement a VAL property record system for certain accounts.

Respectfully submitted,

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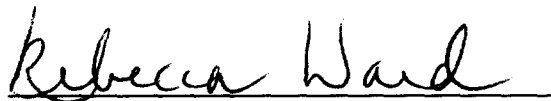
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Of Counsel,
Dan L. Poole

July 24, 1995

CERTIFICATE OF SERVICE

I, Rebecca Ward, do hereby certify that on this 24th day of July, 1995, I have caused a copy of the foregoing **COMMENTS OF U S WEST** to be served first-class U.S. Mail, postage prepaid, upon the persons listed on the attached service list.


Rebecca Ward

***Via Hand-Delivery**

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